

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF PULASKI COUNTY)	
WATER DISTRICT NO. 2, OF PULASKI,)	
WAYNE, AND RUSSELL COUNTIES, KENTUCKY,)	CASE NO. 9821
FOR APPROVAL OF CONSTRUCTION AND)	
FINANCING)	

O R D E R

Pulaski County Water District No. 2 ("Pulaski") by application filed December 19, 1986, is seeking authorization to construct a \$2,619,500 waterworks improvement project and approval of its plan of financing for this project. The project funding includes a \$1,122,000 loan from the Farmers Home Administration ("FmHA"), a \$433,000 grant from the FmHA, a \$743,900 Housing and Urban Development grant ("CDBG") a \$40,000 grant from the University of Kentucky ("UK") and contributions of \$280,600 from applicants for service in the proposed project area. The FmHA loan will be secured by waterworks revenue bonds maturing over a 40-year period at an interest rate of 5 percent per annum.

The construction is proposed to provide water service to approximately 277 new customers. Drawings and specifications for the proposed improvements by Clyde P. Mason of Nashville, Tennessee, in association with Crawford & Crawford, Inc., of Burnside, Kentucky, ("Engineer") and have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

CONTINUITY OF ADEQUATE AND RELIABLE SERVICE

Pulaski's Engineer has provided information which indicates that reliable and adequate service can be maintained throughout the expanded system after completion of the proposed construction. The Commission expressed its concern about the adequacy of Pulaski's water distribution system in its previous construction project, Case No. 9199. In that case the Commission expressed the concern that Pulaski's service to its customers may not be adequate in the long term due to constraints of its existing water distribution system and the "marginal" sizing of various components of the construction proposed at the time. The Commission's previously stated concerns have not been addressed in the current expansion project. During the review of this project, and the previous project, the Commission's engineering staff repeatedly questioned the Engineer directly about the water system's ability to serve the existing and proposed customers. The Engineer has given his assurances that the water system will be capable of supplying the needs of Pulaski's customers. Nevertheless, the Commission maintains deep reservations about the adequacy of Pulaski's supply line from the City of Somerset and the capability of the primary pumping facility. The potential exists for low pressures and water outages to occur throughout the system, including the location of UK's 4-H Leadership Training Center, during periods of high water usage.

The Commission reminds Pulaski of its obligation to provide adequate and reliable service to all of its customers. Pulaski should monitor the adequacy of the expanded water distribution

system after construction. If this monitoring indicates that the level of service is inadequate or declining, Pulaski must take necessary actions to maintain the level of service in conformance with the regulations of the Commission.

FINDINGS AND ORDERS

The Commission, after consideration of the evidence of record, and being advised, is of the opinion and finds that:

1. With appropriate monitoring of the system after construction, public convenience and necessity require that the construction proposed in the application be performed and that a certificate of public convenience and necessity be granted.

2. The proposed construction consists of the renovation of the existing pump station to include a new 200 gallons per minute pump, installation of a low temperature warning system, cleaning and painting the existing 100,000-gallon elevated steel tank, approximately 35 miles of 8-, 6-, 4-, and 3-inch diameter pipelines, and related appurtenances. The construction is estimated to cost \$750,590 which will require about \$2,619,500 after allowances are made for fees, contingencies, and indirect costs, and \$1,685,930 in construction previously approved in Case No. 9199.

3. Pulaski should monitor the adequacy of the expanded water distribution system after construction. If the level of service is inadequate or declining, Pulaski should take immediate action to maintain the level of service in conformance with the regulations of the Commission.

4. Any deviations from the construction herein approved which could adversely affect service to any customer should be done only with the prior approval of the Commission.

5. Pulaski should furnish duly verified documentation of the total cost of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. Said construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

6. Pulaski's contract with its Engineer should require the provision of full-time resident inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering, to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

7. Pulaski should require the Engineer to furnish a copy of the "as-built" drawings and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the date of substantial completion of this construction.

8. The financing plan proposed by Pulaski is for the lawful objects within the corporate purpose of its utility operations, is necessary and appropriate for and consistent with the proper

performance of its service to the public and will not impair its ability to perform that service and should, therefore, be approved.

9. The financing secured by Pulaski for this project will be needed to pay for the work herein approved. Pulaski's financing plan should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. Pulaski be and it hereby is granted a certificate of public convenience and necessity to proceed with the proposed construction project as set forth in the drawings and specifications of record herein on the condition that the system be monitored and corrective action taken in accordance with Finding Number 1 and Finding Number 3 of this Order.

2. Pulaski's financing plan consisting of an FmHA loan of \$1,122,000, an FmHA grant of \$433,000, CDBG funds of \$743,900, a \$40,000 grant from the University of Kentucky and customer contributions of \$280,600 be and it hereby is approved.

3. Pulaski shall comply with all matters set out in Findings 3 through 7 as if the same were individually so ordered.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky, this 20th day of May, 1987.

PUBLIC SERVICE COMMISSION

Richard D. Haman, Jr.
Chairman

Richard L. [Signature]
Vice Chairman

Spencer N. Williams
Commissioner

ATTEST:

Executive Director